

General Fund

2003 Adopted Budget

Purpose:

One of four major budget categories, the general fund is the principal financial support for such basic city services as the police and fire departments, parks and recreation, and libraries. The major financing sources for this fund are property taxes, local government aid, franchise fees, and other revenues not dedicated to a specific purpose. The tables and graphs on the following pages detail the spending and financing plan proposed for this fund in 2003.

Financing Highlights:

The major financing sources for this fund are:

- Property taxes - 24.3%
- State aids (incl. Local Government Aid) - 46.9%
- Franchise fees - 10.0%
- Other revenues, aids, and user fees - 18.8%

Over the past nine years, the city property tax levy has been kept equal to or less than the levy of the prior year, so other revenues, aids and user fees have financed a slightly larger portion of the general fund budget. In 1994, property taxes contributed to 32.4 percent of the budget and other revenues supplied 12.2 percent. State aids, at about 45 percent and franchise fees at 10 percent, have stayed fairly consistent with respect to their level of general fund financing. Major sources for the growth in other revenues have been interest earnings, fine revenues, paramedic fees, and the use of fund balances.

Property Tax Relief: This budget continues the practice of using a planned portion of the fund balance for property tax relief. In 1994, the mayor and city council initiated a tax policy to keep Saint Paul affordable. Property tax revenues for Saint Paul city government have been held constant, or have been reduced, in each of the last nine years. The 2003 levy proposal will continue that trend for a tenth year. Saint Paul property taxes for city government have not been increased since 1993.

Fund Balance: Dollars from the fund balance that have been designated for property tax relief again have been applied to finance this budget and avoid an increase to the city's property tax. The planned use of fund balance for the 2003 operating budget decreases from the 2002 level. The amount of fund balance used as financing for the 2003 proposed budget is 3.4 percent of the total budget.

Certified Local Government Aid (LGA): Normally, the aid increase of each first class city cannot exceed the increase in the total state LGA appropriation, which for 2003, is 2.5 percent. However, the aid increase relative to 2002 is larger than 2.5 percent for each of the first class cities, including Saint Paul. The reason the aid increase is greater than 2.5 percent is because the Rental Housing Tax Base Replacement Aid (RHTBRA) has been added to cities' LGA base beginning in 2003. Also, for 2002 and beyond, by action of the 2001 State Legislature, HACA aid has been rolled into, and has become a part of Saint Paul's Local Government Aid. The moderate but steady growth of this revenue stream enables Saint Paul to control the growth of property taxes while it maintains a high level of community services. However, caution is advised concerning the city's reliance on local government aid for the 2003 city budget, given the nature of the state's economy, and the State of Minnesota's fiscal issues and budget shortfall. The legislature could reduce 2003 LGA amounts during the next legislative session in order to deal with the state budget shortfall. The estimate used in this city

budget for Local Government Aid financing is based on existing state law. Actions by the governor and the state legislature in early 2003 could easily change the actual amount of state aid the City receives in 2003.

City Franchise Fees: The expected financing level will not change in 2003, with the estimate based on 2002 current collections.

General Fund Interest Earnings: Interest estimates are projected to decrease slightly from 2002 to 2003 based on assumptions of investment balances and interest rates.

Spending Highlights:

Rate of Growth: To keep expenditures and revenues in balance in the general fund, the city will continue to restrict spending in 2002 and 2003. The State of Minnesota general fund spending grew by 1.8 percent from 2001 to 2002 and 6.1 percent from 2002 to 2003. Saint Paul's general fund budget grew by 4.7 percent from 2001 to 2002 and is proposed to decrease by 0.1 percent from 2002 to 2003.

Wage Increases: Salaries and benefits are the most significant cost of the city's operating budgets. The base budget was increased for the anticipated growth in 2003 for salaries and fringes related to the bargaining process.

Citizen Service Office: Additional resources are allocated to the Office of Neighborhood Housing and Property Improvement to consolidate the function into a neighborhood location, fill two new positions, and improve the office's use of technology to be more proactive. Additional funding for the Marketing and Promotions budget will provide increased support of the neighborhood festivals and provide leadership in marketing Saint Paul. Also included is the transfer of funding to Technology and Management Services to support the replacement of the AMANDA server.

City Attorney: To support the mayor's new Neighborhood Housing and Property Improvement office, a criminal attorney was proposed and is included in the adopted budget. In an effort to handle the existing

case workload in the City Attorney's Office, an additional 1.0 FTE attorney was added as well. Additionally, the adopted budget includes funds to cover costs of the attorney performance pay program.

Fire Department: The proposed budget maintains 2002 staffing levels into 2003. It reduces dollars associated with an eliminated assistant chief, but adds spending for the new position of emergency management deputy to handle the increasing responsibilities of this important function. Total 2003 paramedic fee financing estimates are increased by \$1.6 million over 2002. This assumes an increase in the transportation charge, from \$823 to \$870, which is the metro average. It also adds new charges for "treat no transport" and vehicle extrication. One million dollars of the department budget change is due to modifying the way the city collects and accounts for paramedic fees. In the past, a billing agency collected the fees, deducted its bill for services, and passed the net revenue to the city. The city will now collect all fees and then pay for the services of a billing agency. This process change does not mean the city will collect any more, or any less, actual net revenue. This increase in the financing amount is offset by an identical increase in spending for the fees to be paid to the billing agency. The budget increases certificate of occupancy fees, which have not been increased since 1995, by \$113,000. Spending is included for a firefighter test, which is expected to be given in 2003. 2003 capital outlay was reduced by \$250,000, due to the fact that two ambulance replacements, and some other equipment, were able to be purchased in 2002, instead of in 2003, by using excess paramedic fee revenue.

Human Resources: The proposed budget reflects the merging on the offices of Human Resources, Affirmative Action, and Labor Relations. With the consolidation, funding for positions of some senior management staff, who have retired from or left city employment, have been removed from the budget.

Human Rights: The proposed budget reflects the mayor's July 2002 decisions to eliminate the deputy director position and transfer the Vendor Outreach Program to Technology and Management Services. A contract was transferred to the Citizen Opportunity Participation Program.

Libraries: The proposed budget provides funding for the opening of the newly remodeled central library. The budget also reflects closing the skyway branch library, which reduces total annual service by 1,950 hours when compared to 2002. But, overall, total annual system hours are still 5,096 hours greater than in 1994. In the Mayor's proposed budget, the general fund contribution match for library materials was continued at \$300,000, the same city amount as in 2002. It was matched by a Friends of the Libraries 2003 contribution of \$100,000, down from \$200,000 in 2002, and earmarked for purchasing library books and materials. Spending (\$45,000) was added for library security services. The city council voted to restore \$100,000 to offset the reduction (of \$100,000) in the Friends' match for library materials.

License, Inspection, and Environmental Protection: The proposed budget includes various license and permit fee increases to cover existing costs. The increases were capped at 25%.

Parks: New strategies will be employed for the holiday lights programming, maintenance of several general skating rinks, the renovation of the Highland 18 golf course, and the maintenance of the street boulevards. The neighborhoods and the downtown community are requested to continue the current level of support for the holiday light program. Additional support will have to be found for the holiday light program or the program will have to be cut back. Neighborhoods and area booster clubs will be called upon to keep the general skating rinks flooded while Parks staff will continue to provide the initial flooding of the skating rinks. The Rice Arlington Sports Dome debt service will receive additional support from the general fund so that the golf fund's support of the sports dome debt can be freed up to support the renovation the Highland 18 golf course. The street tree boulevard maintenance services have been moved to the special funds as these services will be provided under the new right-of-way program. One-time funding was added to the division budget for the study of the city's aquatic facilities.

Planning and Economic Development: The proposed budget reflects the mayor's July 2002 decisions to eliminate the Housing Information Center and to create a new position in PED to work on the March 16, 2002 Summit on Diversity recommendations. This will

improve the city's efforts in helping minority-, female-, and person with disability-owned businesses to establish themselves, do business with the city, and prosper. A contract was transferred to the Citizen Opportunity Participation Program.

Police Department: The proposed budget allows for full funding of regular salaries and fringes for 577.6 sworn personnel in 2003. The budget reflects the reduction of three sworn managers related to the mayor's July 2002 budget decisions, the addition of two more officers for the state gang strike force, and some additional grant funding for sergeant hours (0.6 fte). Considering these three changes, the 2003 budget adjusts the level of permanent sworn personnel from 578 in 2002 to 577.6 in 2003. The budget relies on some temporary funding to set the sworn complement to 577.6 FTEs in 2003, by applying one or two year funding from Federal (Internet Crimes Against Children, School Resource grant), and State (Gang Strike Force, Juvenile Accountability) sources. The total department FTEs rose from 731.9 in 1997, to 746.1 in 1998, to 752.4 in 1999, to 775.0 in 2000, to 777.9 in 2001 and to 781.6 in 2002, including the temporary sworn increase. The 2003 proposed budget has 780.4 FTEs. The 2003 budget continues the process of keeping recent increases in police officer strength, done from 1995 through 1997. This is made possible by replacing those lost Federal and State dollars with city general fund financing and other sources. The officers added in 1995 and 1996 are now completely funded through the general fund, and the officers added in 1997 are partially funded through the general fund. By the 2004 budget, the 1997 officers will also be completely funded in the general fund. The increase in the 2003 police general fund budget from the 2002 adopted budget is 2.0 percent, or \$1.14 million.

Public Works Department: The department budgets were adjusted for salary and fringe increases not directly charged to the general fund. The adopted budget also includes funding to support staff training needed to provide maintenance and operation of the city fiber optic system.

Technology and Management Services: The 2003 budget reflects the removal of 2002's one-time, \$800,000 E-Government spending. The Information Services division's general fund budget is increased by

\$637,000 for ongoing E-Government costs, server leases and network and e-mail licensing and support, and for 3.5 full-time equivalent positions for desktop, database, and website support.

Issues:

City Tax Base. The 2001 State legislature made significant changes to the Minnesota property tax system. Foremost was a change moving the general education tax levy from the local property tax to state financing. Changes in class rates and treatment of commercial and industrial properties affect who pays how much property taxes in Saint Paul. Overall, the market values of all classes of property in Saint Paul are showing increases above inflation. Again, the State legislature continued limiting the market value growth of residential property in the entire state. Over 95 percent of the homes in Saint Paul have their market values limited to the state-prescribed 10 percent annual growth. The limitation will phase out over time (through 2007) to mitigate large impacts on residential property.

State Aid: State aid is a significant revenue source for the city's general fund. Almost 50 percent of the general fund revenue comes from this source and the annual growth in Local Government Aid (LGA) is a key factor in the city's ability to keep its levy at a zero increase again this year. Yet, the state economy and the State of Minnesota's budget situation indicates the City's level of state aid will likely be reduced from past year levels.

Fund Balance Reserves: The growth in fund balance that the city experienced over the past few years may have peaked in 1998. There was a reduction in fund balance in 1999, a moderate growth in 2000, and a slight decline again in 2001. Due to the timing of financial reporting, actual fund balance information is always two years behind the budget plan approved in December. Although the Office of Financial Services has put in place a consistent system for estimating future fund balances, those estimates are based on a number of assumptions that may or may not occur.

For the 2000, 2001, and 2002 budgets, the amounts taken from general fund fund balance to finance the annual budget became larger each

year. Discipline and control is required or, some time in the near future, the city may find itself again faced with the same fiscal problems of the early 1980s and 1990s when the reserves were nearly depleted. To that end, the amount of fund balance applied in the 2003 proposed budget is less than what was planned for use in the 2002 budget. The amount of fund balance used as financing for the 2003 proposed budget has been limited to only 3.4 percent of the total budget.

Challenges:

Discussions at the State legislature about the needs of developed central cities and first-ring suburbs need to be intensified. Funding and expenditures for services should be examined with a regional, rather than municipal or county perspective.

The costs the city bears as an employer (wages, benefits, workers' compensation, etc.) compete for service delivery dollars. The city must continue to find ways to prudently and responsibly manage these costs in order to maintain service delivery levels and maintain the integrity of the city's finances.

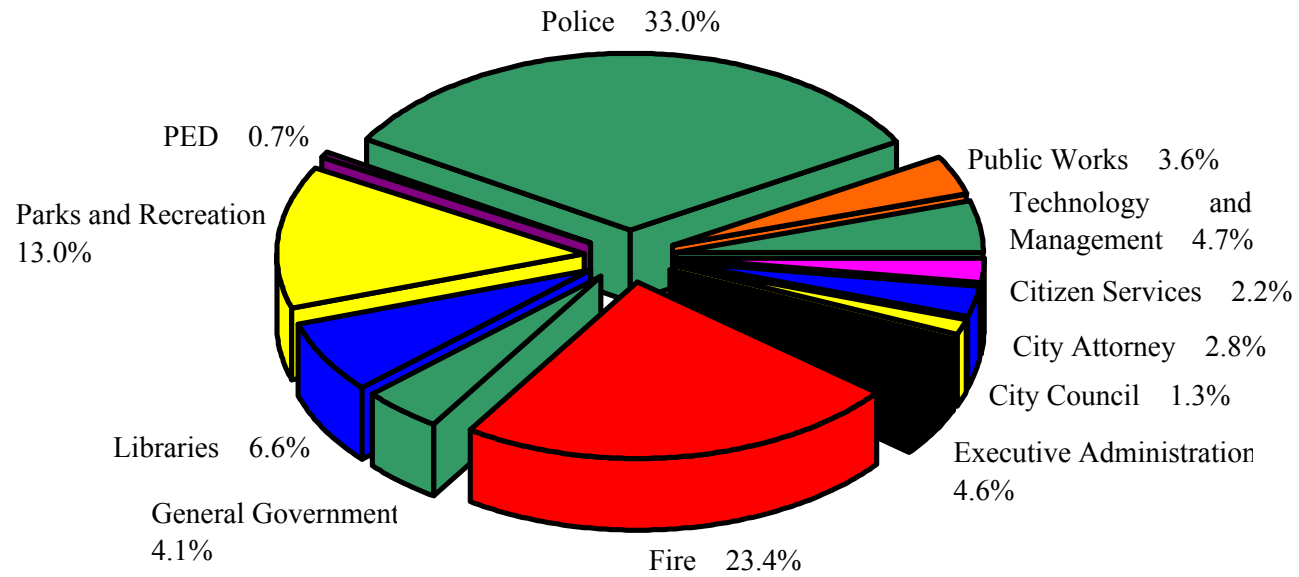
Saint Paul has done that. Through a combination of managed spending, prudent use of fund balance reserves and modest growth in other revenues, a property tax increase for city government has been avoided for nine years. The next reform of the property tax system should be done in a way that rewards efforts like those of Saint Paul. Changes in State aid or other proposals aimed at property tax reform must consider the effect they will have on the first class cities to manage the service needs and expectations of their local residents and statewide users of those services.

General Fund Budget

General Fund Spending (By Department)			
Department/Office	2001 Actual	2002 Adopted Budget	2003 Adopted Budget
Affirmative Action	252,128	279,137	0
Attorney	4,465,420	4,663,502	5,004,436
Citizen Services	3,550,362	3,315,637	3,899,024
Council	2,016,334	2,175,054	2,218,107
Financial Services	1,640,642	1,646,873	1,676,549
Fire and Safety Services	37,470,391	38,454,578	41,143,912
General Government Accounts	8,984,461	7,691,674	7,195,012
StP-RC Health	0	0	0
Housing Information	0	0	0
Human Resources	2,149,295	2,195,075	2,895,086
Human Rights	838,383	912,186	782,610
Labor Relations	401,174	427,675	0
Libraries	10,526,113	11,151,280	11,548,871
License, Inspection, and Environmental Protection	1,383,020	1,343,642	1,267,186
Mayor	1,333,532	1,336,044	1,382,816
Parks and Recreation	24,052,256	23,706,260	22,741,942
Planning and Economic Development	1,318,151	1,152,435	1,233,344
Police	54,044,836	56,730,700	57,873,482
Public Works	9,856,624	10,228,318	6,258,961
Technology and Management Services	7,082,689	8,268,059	8,317,695
Total	171,365,811	175,678,129	175,439,033

General Fund Budget

2003 Spending by Department



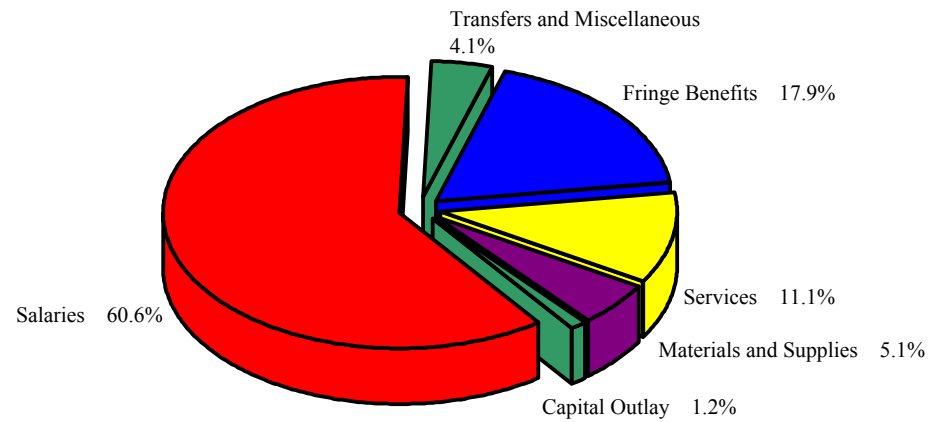
General Fund Budget

General Fund Spending (By Major Object)			
Object	2001 Actual	2002 Adopted Budget	2003 Adopted Budget
Salaries	99,070,894	103,851,824	106,357,940
Services	18,823,258	19,195,215	19,394,174
Materials and Supplies	10,466,614	8,887,938	9,039,351
Fringe Benefits	27,244,690	29,858,054	31,395,440
Transfers and Miscellaneous	11,218,851	11,614,551	7,188,358
Debt Service	2,012,963		
Street, Sewer, Bridge Improvement	0		5,329
Capital Outlay	<u>2,528,541</u>	<u>2,270,547</u>	<u>2,058,441</u>
Total	171,365,811	175,678,129	175,439,033

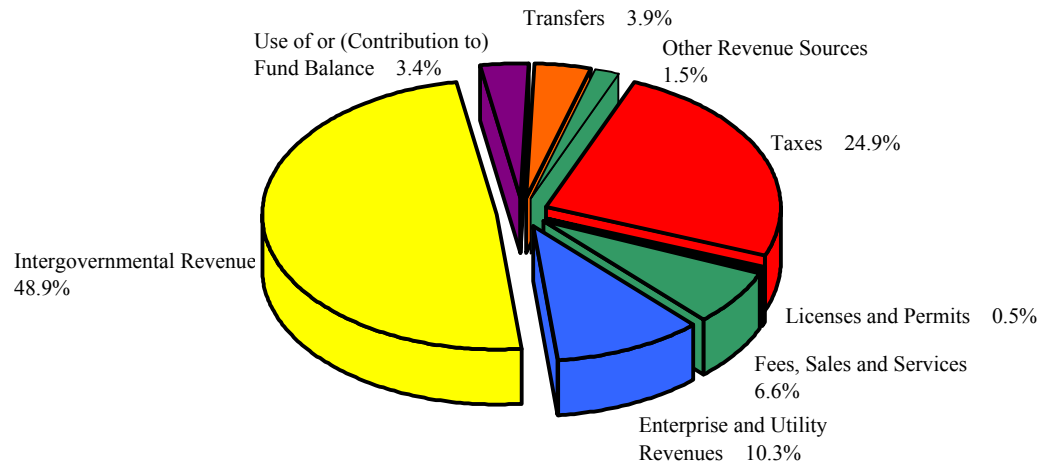
General Fund Financing (Revenue By Source)			
Source	2001 Actual	2002 Adopted Budget	2003 Adopted Budget
Use of or (Contribution to) Fund Balance	0	10,389,150	5,965,198
Transfers	6,394,120	6,535,846	6,855,942
Taxes	44,450,082	43,841,480	43,693,111
Licenses and Permits	830,452	830,159	912,420
Intergovernmental Revenue	82,281,292	83,633,167	85,865,503
Fees, Sales and Services	9,997,805	9,238,239	11,602,111
Enterprise and Utility Revenues	16,842,474	17,968,609	17,980,809
Other Revenue Sources	<u>8,753,924</u>	<u>3,241,479</u>	<u>2,563,939</u>
Total	169,550,149	175,678,129	175,439,033

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2003 Spending By Major Object



2003 Revenue By Source



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General Fund Balances (Revenues & Sources and Expenditures & Uses of Funds)					
	1999 Actual	2000 Actual	2001 Actual	2002 Adopted Budget	2003 Adopted Budget
Beginning Balances	49,393,354	43,225,277	45,598,034	43,723,326	33,334,232
Revenues and Sources					
Transfers In	5,932,936	6,253,893	6,394,120	6,535,846	6,855,942
Property Taxes	44,158,262	43,728,131	43,223,400	42,757,224	42,700,851
Other Taxes	793,710	1,224,407	1,226,682	1,084,256	992,260
Licenses and Permits	761,291	824,253	830,452	830,159	912,420
Intergovernmenta	78,341,653	79,359,462	82,281,292	83,633,167	85,865,503
Fees, Sales and Services	9,303,951	9,107,707	9,997,805	9,238,239	11,602,111
Franchise Fees	15,441,543	16,303,980	16,842,474	17,516,184	17,516,184
Interest Earned:					
On Investments	4,634,960	3,959,219	4,591,495	2,916,274	2,600,000
On Securities Lending Transactions - (a)	9,265,127	8,801,847	2,116,420	75,000	75,000
Inc (Dec) in Fair Market Value of Investment	(3,776,116)	2,613,431	1,303,250		
Miscellaneous	725,086	657,456	742,759	702,630	353,564
Total	165,582,403	172,833,786	169,550,149	165,288,979	169,473,835
Expenditures and Uses (b)					
Attorney	3,791,414	4,022,978	4,465,420	4,663,502	5,004,436
Citizen Services	3,057,644	3,001,553	3,550,362	3,315,637	3,899,024
Council	1,945,675	1,998,241	2,016,334	2,175,054	2,218,107
Fire and Safety Services	35,452,496	35,666,116	37,470,391	38,454,578	41,143,912
General Government Accounts - Miscellaneous	15,062,710	15,065,026	8,984,461	7,691,674	7,195,012
Health	0	0	0	0	0
Libraries	9,836,874	10,163,541	10,526,113	11,151,280	11,548,871
Executive Administration - (c)	7,946,837	7,671,422	7,998,174	8,140,632	8,004,247
Parks & Recreation	21,490,397	23,000,202	24,052,256	23,706,260	22,741,942
Planning and Economic Developmen	5,904,727	2,127,786	1,318,151	1,152,435	1,233,344
Police	49,853,726	51,350,931	54,044,836	56,730,700	57,873,482
Public Works	9,399,817	9,616,837	9,856,624	10,228,318	6,258,961
Technology and Management Services - (d)	8,014,190	6,776,879	7,082,689	8,268,003	8,317,639
Fringe Benefits - (e)	0	0	0	0	0
Interest on Securities Lending Transactions - (a)	0	0	0	0	0
Total (d)	171,756,507	170,461,512	171,365,811	175,678,073	175,438,977
Ending Balance					
Reserved	6,387,976	5,535,984	5,533,669	5,750,000	5,900,000
Designated	35,623,982	38,057,799	37,987,718	27,450,000	21,750,000
Undesignated	1,213,319	2,004,251	201,939	134,232	(280,910)
Total (f)	43,225,277	45,598,034	43,723,326	33,334,232	27,369,090

- a) The 2003 adopted financing and spending budgets for Securities Lending Transactions will be amended when the actual amounts are known and availab
- b) For 1999 - 2003, no adjustments have been made to the historic expenditures and uses data to reflect any movement of organizational units among and between departmen
- c) Executive Administration includes: Affirmative Action, Financial Services, Housing Information, Human Resources, Human Rights, Labor Relations, License Inspect and Environmental Protection, and Mayor's Office
- d) The 2002 and 2003 Budget columns on this page do not include "Advances to Other Funds" and "Petty Cash Advances". For 2003, these advances, \$56, can be added the total expenditures and uses shown here, \$181,024,988, to reconcile to the Proposed Budget, \$181,025,044
- e) Prior to 1996, fringe benefits were recorded centrally, and after that they were recorded as amounts in the department
- f) Based on the 1999 - 2001 experience, the actual ending total balance for 2002 - 2003 will be greater than the listed budget ending total balance